

Larry E. Craig, Chairman
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Conference Report Highlights

September 28, 1998

Highlights of the Conference Report to accompany the Higher Education Amendments of 1998 (H.R. 6)

The Senate likely will consider the conference report to accompany H.R. 6, the Higher Education Amendments of 1998, on September 29 under a 30-minute time agreement.

The House was set to vote on the conference report this evening (Monday). The Senate first passed H.R. 6 in lieu of its measure, S. 1882, by 96-1, on July 9, 1998.

Key provisions of the conference report include the following:

- **Establishes a new five-year student loan rate** that is the lowest in 17 years. The bill maintains the 7.46 percent student loan interest rate that was enacted earlier this year — the previous rate was 8.23 percent. This represents Congress' intention to maintain the fine line between the lowest possible rate for students and rates necessary for an uninterrupted flow of private loan capital.
 - For students, student loan rates will be equal to the 91-day Treasury bill rate, plus 1.7-percent while in school, and plus 2.3-percent during repayment after graduation. The interest amount is capped at 8.25 percent.
 - For lenders, rates will be equal to the 91-day Treasury-bill rate, plus 2.2-percent while students are in school, and plus 2.8-percent during repayment.
- **Lowers the Student Loan Consolidation rate.** The bill creates a four-month window during which borrowers who are now in repayment will be able to refinance their student loans. Borrowers who select to consolidate their loans through the Federal Direct Loan Program will be able to refinance their loans at an interest rate that will be the equivalent of the 91-day Treasury bill plus 2.3 percent — approximately 7.4 percent. Borrowers who select to consolidate through the Federal Family Education Loan Program will be able to receive a loan whose rate will be established by calculating the weighted average of their outstanding loans rounded up to the nearest 1/8th percent, and capped at 8.25 percent. During this four-month window, the annual loan consolidation fee paid by private lenders will be reduced from 1.05 percent to .62 percent so that lenders will be able to offer a more competitive refinancing loan package. Effective February 1, 1999, the interest rate for

consolidation loans in both programs will be established by calculating the weighted average of a borrower's loans, rounded up to the nearest 1/8th percent and capped at 8.25 percent.

- **Increases the maximum Pell Grant levels to the following amounts:**
 - \$4,500 for academic year 1999-2000;
 - \$4,800 for academic year 2000-2001;
 - \$5,100 for academic year 2001-2002;
 - \$5,400 for academic year 2002-2003; and
 - \$5,800 for academic year 2003-2004.
- **Creates a loan forgiveness program** for students who earn a degree and obtain employment in the childcare industry, as well as for students who gain teaching jobs in school districts serving large populations of low-income children.
- **Increases authorization of College Work-Study program** to \$1 billion for FY1999. This is an increase from the current \$830 million funding and the \$900 million requested by the Administration.
- **Creates a Quality Teacher Initiative.** This program consolidates more than a dozen existing teacher preparation programs into a single multi-level program. The purpose of this initiative is to promote greater accountability within current teacher preparation programs, as well as providing states and local partnerships with incentives to place a greater focus on academics and strong teaching skills for teacher certification programs.
- **Creates the "GEAR UP" program.** The "Gaining Early Awareness and Readiness for Undergraduate Programs" (GEAR UP) initiative is a merging of the House's "High Hopes for College" program with the current National Early Intervention Scholarship Partnership Program. The new program encourages states and university partnerships to provide early intervention and college awareness for eligible low-income students likely to drop-out of school.
- **Prohibits financial assistance to persons convicted of possession or sale of any controlled substance.**
- **Provides a General Accounting Office study to determine the long-term effectiveness of education and rapid employment approaches in helping welfare recipients become employed and achieve economic self-sufficiency.** [The Senate bill included language allowing states to count 24 months of post-secondary and vocational education toward the work requirements of the TANF. It also would have removed teen parents from being calculated in the 30-percent cap of those involved with work/education activities.]
- **Expresses sense of Congress that students exercising free speech and/or protected association should not be discriminated against by an institution of higher learning.**

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